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**Health Care & Wellness Committee**

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**HB 3015**

**Brief Description:** Establishing the interstate health insurance compact act.

**Sponsors:** Representatives Cody, Ericksen, Eddy, Morrell, Campbell and Wallace.

**Brief Summary of Bill**

- Authorizes the Office of the Insurance Commissioner (OIC) to enter into a compact with other states for the purpose of permitting the sale of small group health benefit plans across state lines.

**Hearing Date:** 1/28/10

**Staff:** Dave Knutson (786-7146).

**Background:**

Under current law, health carriers may only sell policies to individuals who reside or work in the state in which the company is licensed (although large insurers license products in every state). For example, a Washington resident has no choice but to purchase a policy from a carrier licensed in this state and the carrier can only sell that resident a policy compliant with all the state's mandates as well as its guaranteed issue and community rating requirements. Because of the variation in state requirements regarding guaranteed issue, mandates, and rating rules, as well as state demographics, there is a tremendously wide price variation in health benefit policies across state lines. Proposals to allow the purchase of health benefit plans across state lines are based on the assumption that state mandated benefits, state rating rules, and state regulatory requirements affect pricing and result in decreased uptake of insurance by price-sensitive consumers.

For example, a recent nationwide survey found annual premiums averaged \$5,326 for single coverage in New Jersey in the 2006-2007 period, but only \$1,254 in Wisconsin. Contrast the cost of a New Jersey individual policy – \$5,326 – with that of a Connecticut policy, where the

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average cost would be much lower, \$3,326. The national average cost of such a policy was \$2,613.

Allowing the purchase of health benefit plans across state lines may create a national market for health benefit plans and allow for greater competition by insurers, a greater choice in the types of plans available to individuals, and potentially lower prices as a result of decreased mandates, less-expensive rating rules, and a more favorable regulatory environment. Supporters point to historical analogies such as Delaware corporate chartering, dual banking charters, regional compacts for banking, the Risk Retention Act, regulation of surplus lines insurance, and association health plans.

Consumer advocates have historically raised concerns about the effect of purchasing health benefit plans across state lines by circumventing state consumer protections and producing a regulatory “race to the bottom,” with insurers selecting the least regulated state with the fewest mandates as their primary state. Another possible effect on consumers could be insurers remaining in states with more mandates will necessarily be forced to increase costs as a result of individuals requiring those mandated benefits remaining in the secondary state’s pool, thereby increasing adverse selection.

**Summary of Bill:**

The Office of the Insurance Commissioner (OIC) is authorized to enter into a compact with other states for the purpose of permitting the sale of health benefit plans across state lines.

Washington is deemed the primary state for the purpose of organizing and administering the compact. Any state is eligible to become a compacting state if approved by the primary member of the compact. Carriers offering qualifying plans in Washington must comply with state laws related to market conduct, unfair trade practices, network adequacy, consumer protection standards and unfair trade practices, grievance and appeals, and fraud. Carriers may offer health benefit plans in Washington if:

- the plan is approved as to form by one of the compacting states;
- the premium for the qualifying plan is approved in one of the compacting states; and
- the carrier complies with the requirements of the compact.

Carriers are required to provide a side-by-side comparison explaining the difference between each qualifying plan's requirements, conditions, and benefits, compared to the requirements for health benefit plans for the compacting state.

The definition of a "qualifying plan" is a health benefit plan for the small group market that complies with its state-of-origin's requirements as to rate and form, and has been approved by that state's insurance regulator to be offered and issued in that state.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.